

STATE OF
IDAHO
CITIZENS' FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
June 30, 2004





Keith L. Johnson
Idaho State Controller

I am pleased to present the seventh annual Idaho Citizens' Financial Report (also known as the Popular Annual Financial Report or "PAFR") for the fiscal year ended June 30, 2004. This Report provides a brief, easy to understand discussion of Idaho's finances. The Idaho Citizens' Financial Report discusses important economic data in a non-technical format and presents a brief explanation of where state government resources come from and how they are spent.

This report bridges the gap between someone asking "What happens to my tax dollars?" and the State's highly technical annual financial statement (the Comprehensive Annual Financial Report or "CAFR"). The CAFR is not easily understood even by those in the accounting profession and doesn't explain, in plain English, what happened to a citizen's tax dollar. My hope is that this Citizens' Report will help answer some of your questions in plain language. Because citizens have little choice in paying taxes and it is not always clear how the services received relate to the taxes paid, state government has an important responsibility to demonstrate accountability to the public. It is in the spirit of showing how your tax dollars are spent that this report is published.

In addition to reporting information from the State's Comprehensive Annual Financial Report, this Citizens' Report highlights important financial matters that are of current interest to Idaho citizens. In this issue we have highlighted the following:

- ❖ The flow of your tax dollars. We have illustrated how tax dollars travel from your pocketbook to the actual services that you may use.
- ❖ University Place. Millions of dollars have been spent by the University of Idaho and the University's Foundation. Federal and Latah County prosecutors are investigating to see if any laws were broken.
- ❖ Unemployment compensation. The State government administers unemployment compensation benefits. For many out-of-work Idahoans understanding this issue is very important.
- ❖ Public school transportation and administration costs. The public school system uses a large percentage of our taxes. A legislative investigation body is looking into how we might save tax dollars without affecting the quality of education.
- ❖ The losses of the Public School Endowment Fund. Public schools receive some of their annual funding from earnings of the Endowment Fund. How have the recent stock market fluctuations affected school funding?

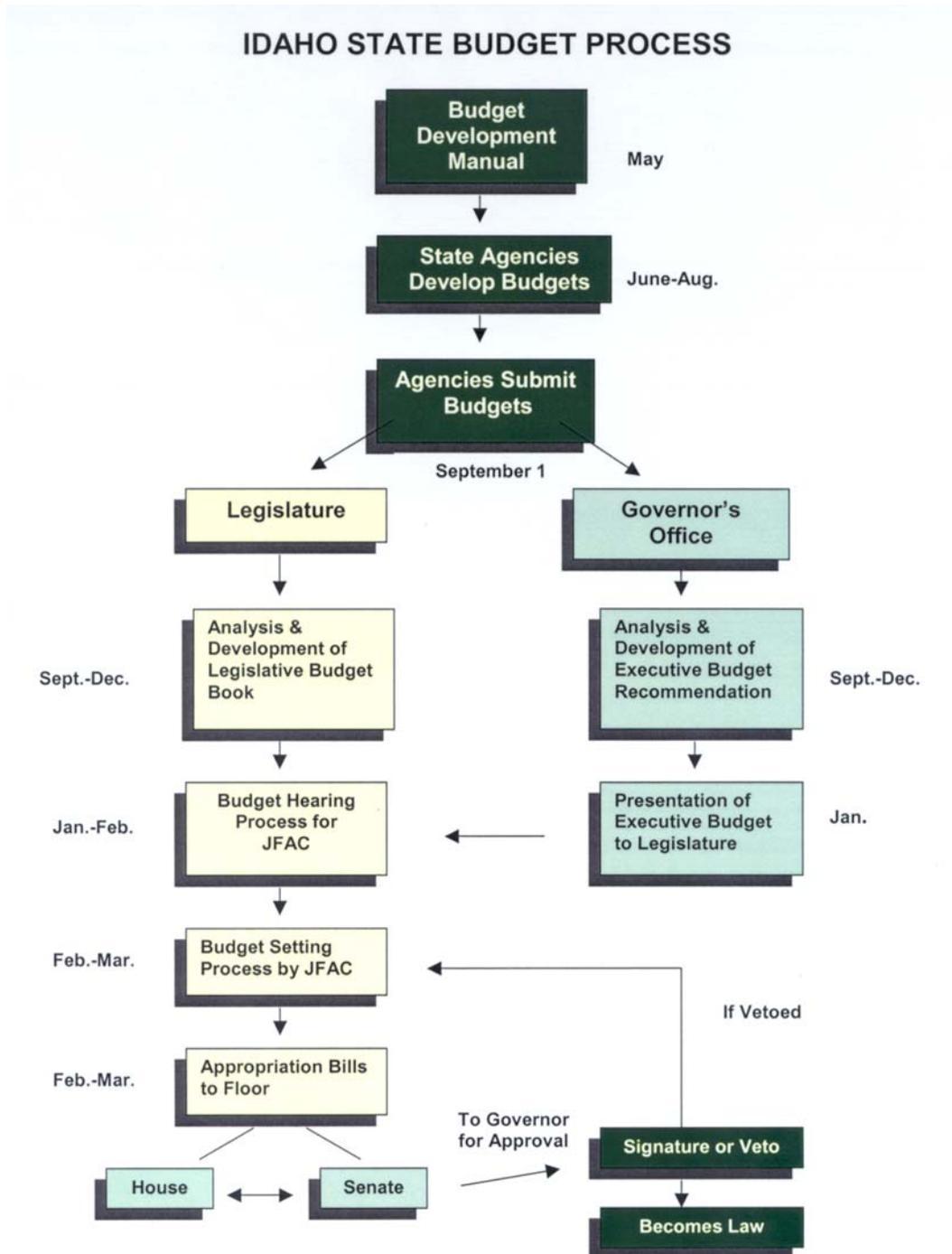
My intention is to provide an informative report, furthering your ability to make better-informed decisions. Did you find this report informative? How were you able to use the information? What additional information would you like to see included? Your comments and suggestions regarding the ability of the Idaho Citizens' Report to provide valuable information are greatly appreciated.

A handwritten signature in black ink that reads "Keith Johnson". The signature is written in a cursive, flowing style.

Keith L. Johnson
State Controller

Idaho's Budget Process

Idaho's citizen legislature generally meets annually commencing in January and continues through the first part of March. One of the tasks accomplished during that time is setting the coming fiscal year's budget for each state agency. The following flowchart shows the process followed in setting agency budgets:



The Idaho Citizens' Report briefly explains the financial condition of the State of Idaho and presents some major state programs. Its purpose is to summarize and simplify the presentation of information contained in the Comprehensive Annual Financial Report (CAFR).

This report is not intended to replace the detailed financial position set forth in the CAFR, which will continue to be provided by the Office of the State Controller. A copy of the CAFR may be obtained by writing or calling our office.

The financial statements presented in this report are in accordance with Generally Accepted Accounting Principles (GAAP), except when noted otherwise. The report depicts trends in state revenues and spending in selected economic and demographic areas affecting the State that are of particular public interest.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the State of Idaho for its Popular Annual Financial Report for the fiscal year ended June 30, 2003. The Award of Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe this report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

STATE OF IDAHO

For the fiscal year ending
June 30, 2003



Nancy L. Ziehl
President

Jeffrey L. Esler
Executive Director

The State's Assets and Liabilities

Comparative Statement of Net Assets June 30, 2003 and 2004 (dollars in millions)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	FY 2003 (as restated)	FY 2004	FY 2003	FY 2004	FY 2003 (as restated)	FY 2004
ASSETS						
Cash	\$441	\$639	\$377	\$333	\$818	\$972
Investments	825	943	229	264	1,054	1,207
Securities Lending Collateral		542				542
Taxes/Accounts Receivable, Net	312	322	94	107	406	429
Due from Other Governments or Funds	168	154		4	168	158
Loan/Notes Receivable, Net	8	7	113	133	121	140
Capital Assets	3,773	3,970	648	711	4,421	4,681
Other Assets	38	40	35	26	73	66
Total Assets	\$5,565	\$6,617	\$1,496	\$1,578	\$7,061	\$8,195
LIABILITIES						
Medicaid/Accounts Payable	\$185	\$223	\$32	\$26	\$217	\$249
Securities Lending Obligations		542				542
Deposits	10	7	3	3	13	10
Bonds and Notes Payable	153	214	275	325	428	539
Other Liabilities	270	239	80	91	350	330
Total Liabilities	618	1,225	390	445	1,008	1,670
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	3,616	3,755	418	411	4,034	4,166
Restricted	1,044	1,231	573	557	1,617	1,788
Unrestricted	287	406	115	165	402	571
Total Net Assets	4,947	5,392	1,106	1,133	6,053	6,525
Total Liabilities and Net Assets	\$5,565	\$6,617	\$1,496	\$1,578	\$7,061	\$8,195

Includes governmental and proprietary funds

Governmental Activities include most of the State's basic services, such as general government, public safety, health and human services, education, economic development, and natural resources. The governmental activities services are paid for mostly by state taxes and federal grants.

Business-Type Activities account for operations that function in a manner similar to private business, where the cost of providing goods or services is paid for mainly through user charges.

Net Assets measure the difference between what the State owns (assets) versus what the State owes (liabilities).

Invested in Capital Assets, Net of Related Debt, measures the value of capital assets the State owns (such as roads, bridges, buildings, machinery, equipment, and land) less depreciation and any debt owed from buying or building the assets.

Restricted Net Assets are assets that are not available for general use due to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Unrestricted Net Assets are assets that may be used according to the State's desires, but use may be limited by state statutes.

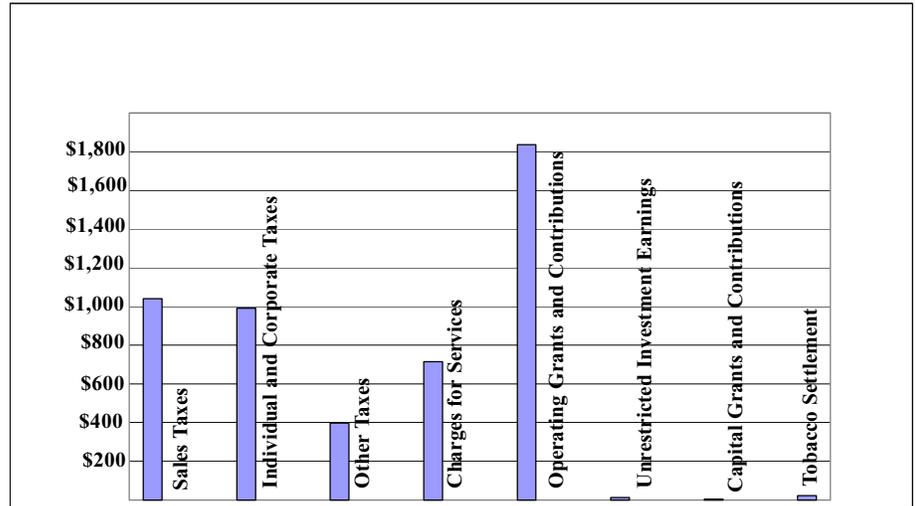
Where the Money Comes From

Taxes, federal grants, and miscellaneous revenues are Idaho's sources of income.

The collection of taxes is the largest source of funds for Idaho. State income taxes are collected both from individuals earning wages and businesses earning profits in Idaho. Sales taxes are collected from retail transactions occurring in Idaho.

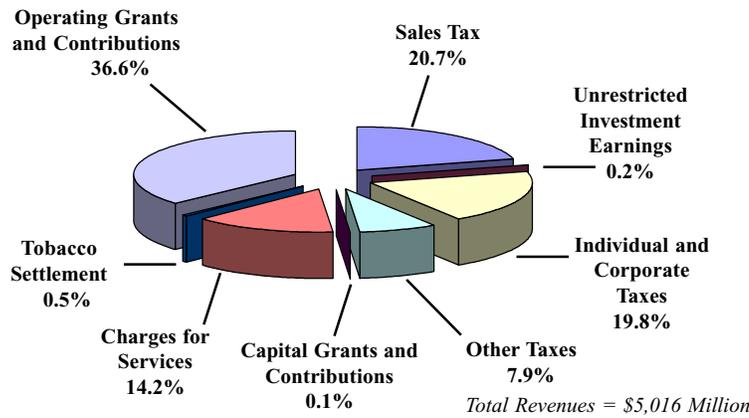
Federal grants are the next largest source of funds for Idaho. Grants are awarded for specific purposes. For example, the Federal Department of Health and Human Services gives grant money to Idaho for Medicaid and Child Support services, and the Federal Department of Energy gives grant money for state oversight of the Idaho National Engineering and Environmental Laboratory.

FY 2004
Governmental Activities Revenues
(in millions)



Includes governmental and internal service funds

FY 2004
Governmental Activities Revenues



Includes governmental and internal service funds

Fees, charges for permits, investment earnings, and other miscellaneous types of income are the third largest source of state revenues. Fees are charges for services provided by state agencies. For example, the Department of Fish and Game charges a fee for issuing a fishing license.

Permits are issued to businesses and individuals. The Department of Parks and Recreation issues permits for citizens to use a state park for a year. The money raised by issuing these permits helps pay for the maintenance of the parks.

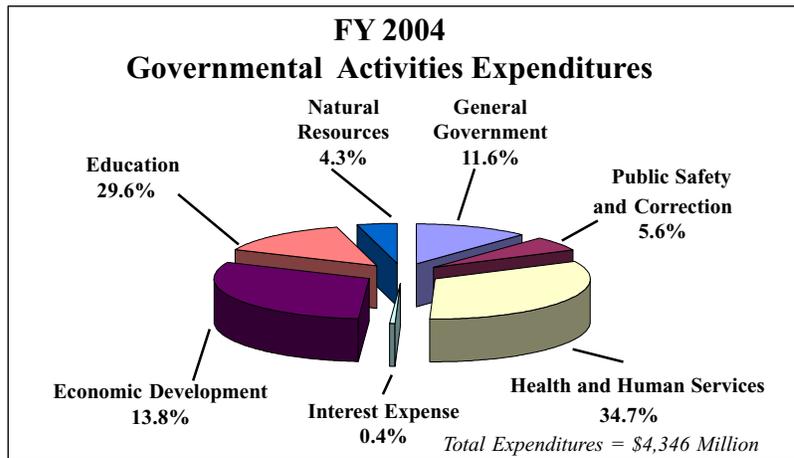
Where the Money Goes

Each year the Idaho Legislature meets and sets a budget for the State. This past year the two largest consumers of the state budget were Education and Health and Human Services.

Health and Human Services spent 34.7 percent of the budget. Medicaid programs received over half of the Health and Human Services budget. Medicaid provides medical and dental services for low income families and individuals. Medicaid also assists those who are unable to pay for medical and dental services because of youth, old age, pregnancy, or disability. Additional Health and Human Services programs include the AIDS Drug Assistance Program, Child Adoption, Children's Mental Health, and Child Protection referrals.

Education spent the second largest share of state funds, accounting for 29.6 percent of money paid out in fiscal year 2004. The money was used for public schools, colleges and universities, and other education.

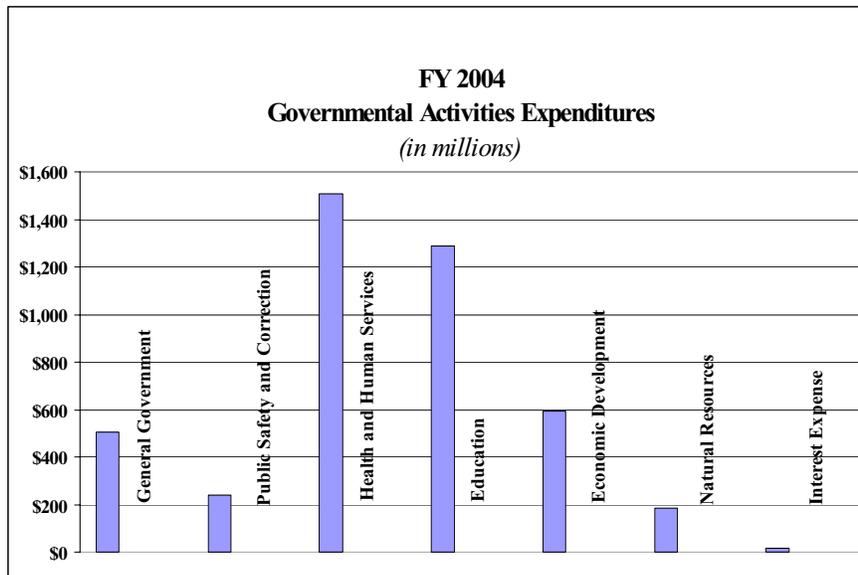
A large portion of the budget, \$436 million, was spent on capital outlay. Capital outlay includes expenses for land, roads, highways, buildings, fixtures, and equipment. Transportation, which accounted for more than half of the capi-



Includes governmental and internal service funds

tal outlay expenditures, used money for the repair and maintenance of the State's infrastructure, which includes long-lived assets such as roads and bridges.

In addition, the remaining governmental expenditures were spent on programs such as law enforcement, public safety, natural resources, agriculture, economic development, and general government. These programs are run by employees of the State of Idaho and help to protect the people, the land, and provide for future economic development.



Includes governmental and internal service funds

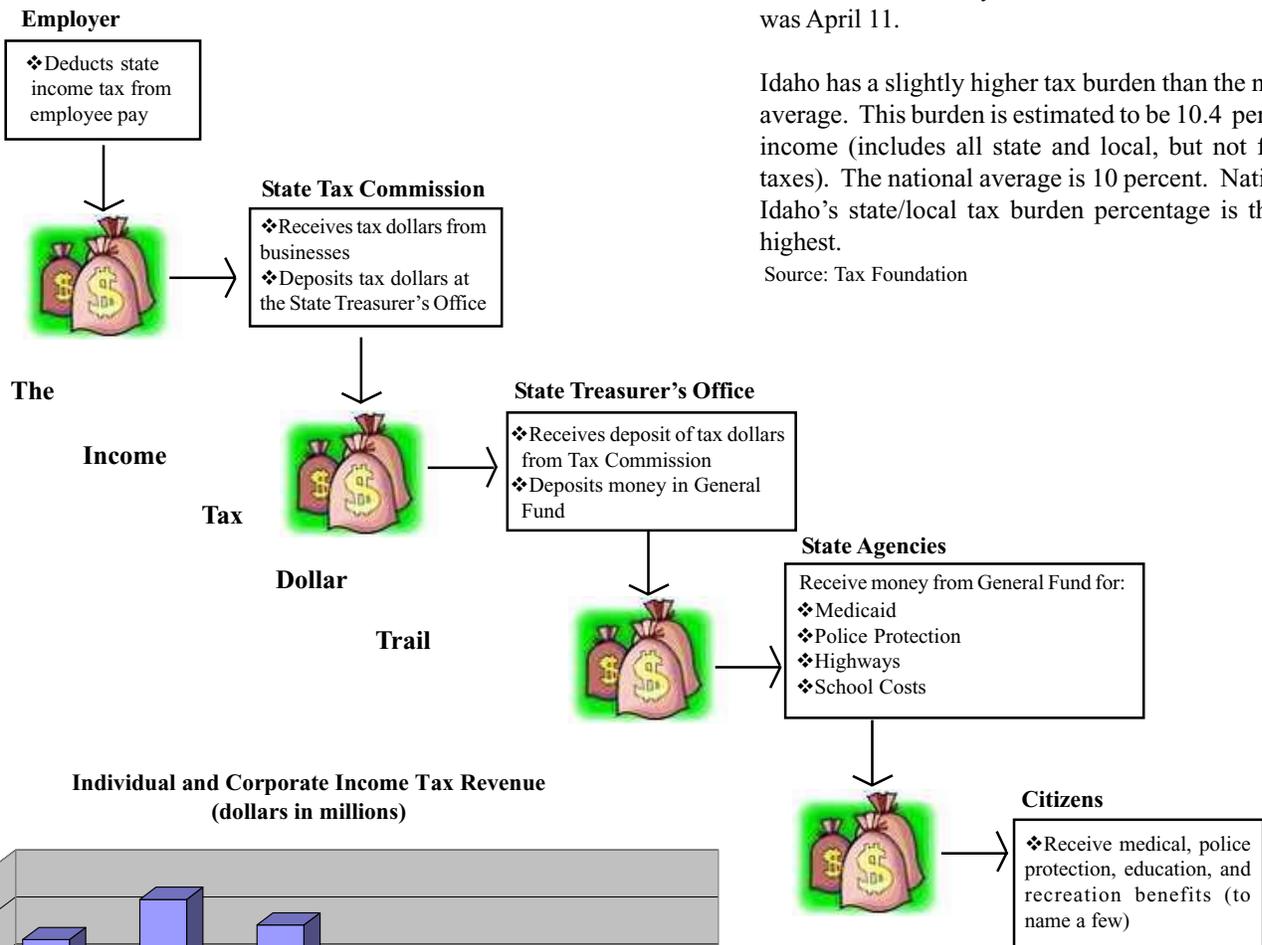
Following Our Tax Dollars



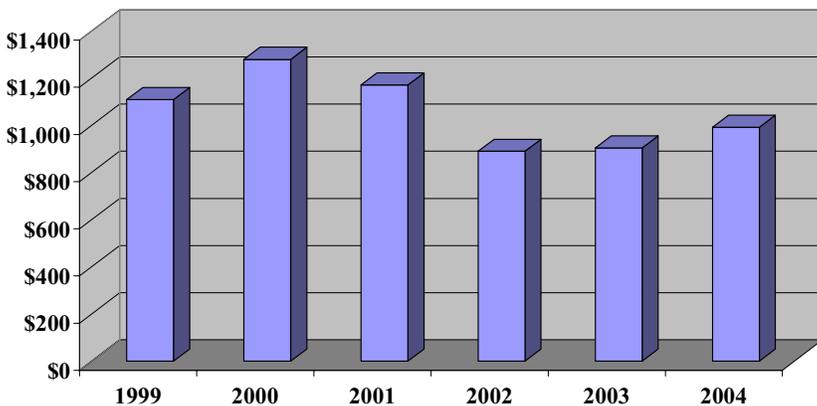
In calendar year 2003, Idaho's Tax Freedom day arrived on April 5 (ranked 35th nationally). This is the day Idahoans finally have earned enough money to pay their total tax bill for the year. National Tax Freedom day was April 11.

Idaho has a slightly higher tax burden than the national average. This burden is estimated to be 10.4 percent of income (includes all state and local, but not federal, taxes). The national average is 10 percent. Nationally, Idaho's state/local tax burden percentage is the 11th highest.

Source: Tax Foundation



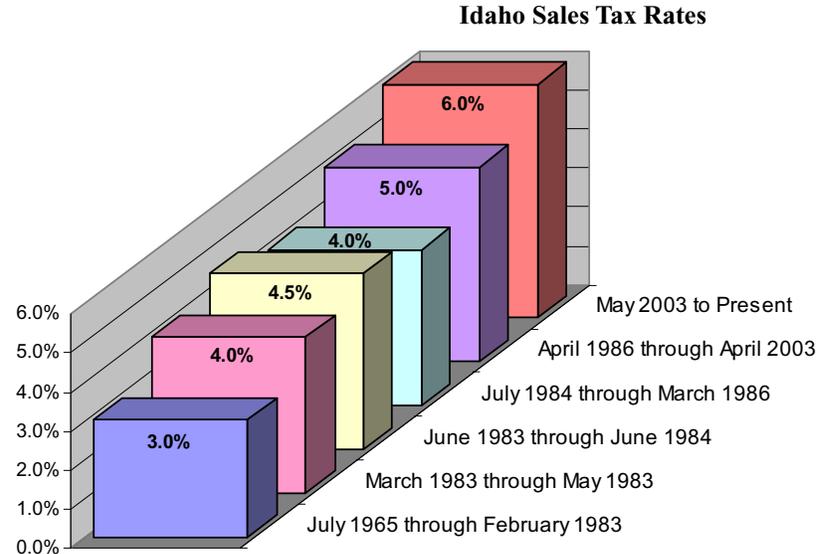
Individual and Corporate Income Tax Revenue (dollars in millions)



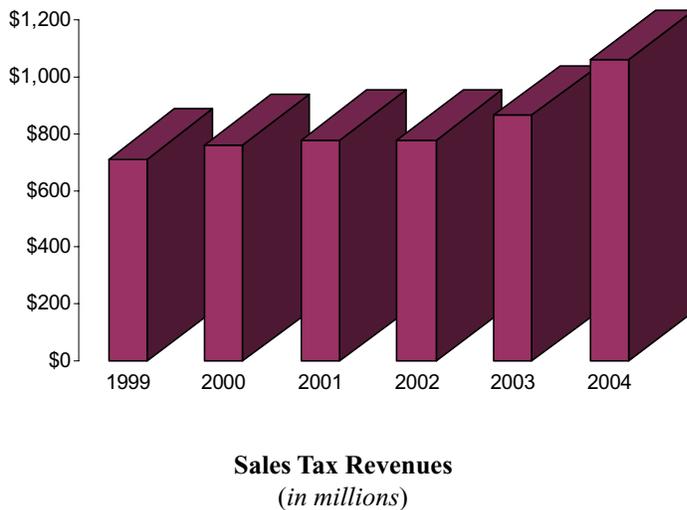
Idaho's personal income top tax rate of 7.8 percent of taxable income (\$21,730 single, \$43,460 married filing jointly) ranks 10th highest among states levying personal income taxes. Idaho's corporate rate is a flat 7.6 percent on all corporate income.

Source: Tax Foundation

The cost of personal goods purchased at stores is inflated by 6 percent due to state sales tax. For example, if your purchase totaled \$100, an extra \$6 would be collected. The state sales tax applies to some services but is mostly charged for actual THINGS that you buy. Food is taxed, but prescription drugs are not. Hotel, motel, and campground accommodations are taxed at a higher rate (7-11 percent). A few small resort cities collect a local sales tax.



Source: Division of Financial Management, Idaho Fiscal Facts 2003



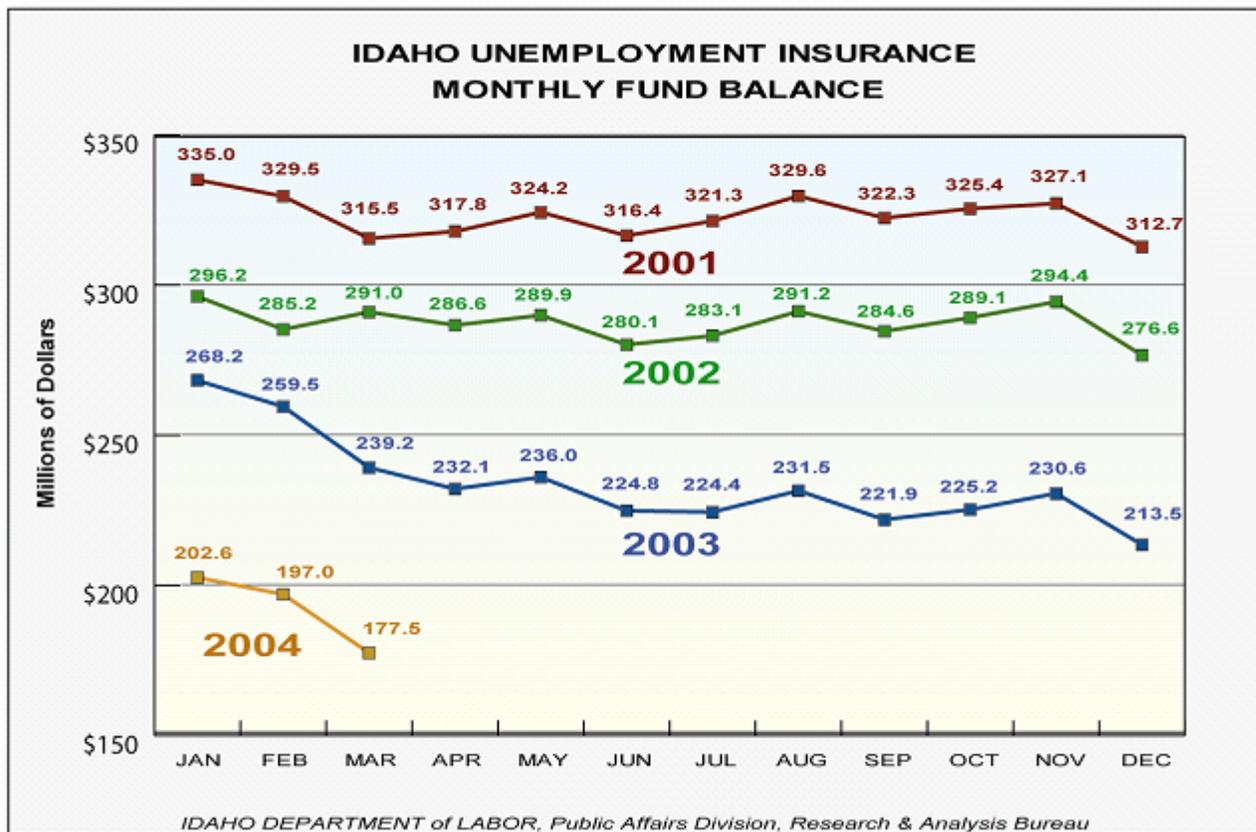
The State recorded sales tax revenues of \$1,040 million for fiscal year 2004, of which 99 percent went to the General Fund. The General Fund provides much of the support for Education, Health and Human Services, and Public Safety, in addition to the revenue sharing distributions to cities and counties. The General Fund provides support for all levels of education, from kindergarten to universities. The taxes that go to education pay for such things as teacher salaries and student text books. The General Fund tax dollars also make possible health care for low-income families and support the law enforcement services that help make Idaho a great place to live. The large increase in sales tax revenues that can be seen for fiscal year 2004 was mainly due to a temporary one-cent sales tax increase. The increase generated an additional \$179.2 million in sales tax revenue for fiscal year 2004. This temporary increase will end June 30, 2005.

Unemployment Compensation

Idaho's Unemployment Insurance (UI) system pays benefits to individuals who are unemployed through no fault of their own and is funded by employers through UI payroll taxes on their employees' wages. Because UI benefits allow unemployed individuals and their families to continue paying bills, it helps maintain the incomes and spending power of the stores, landlords, banks, and service providers in local communities. UI benefits also promote stability by making it possible for employers to retain workers during off-seasons or during a short downturn.

During the 1990's, Idaho experienced an unprecedented decade of economic expansion. Although this growth allowed the UI trust fund to remain stable while providing tax reductions for employers, the sluggish economy of the last two years has taken its toll on the fund.

The combined UI trust fund balance at the end of March 2004 was \$177.5 million, which is \$138 million below the \$315.5 million balance at the end of March 2001 – a decrease of over 43 percent (see graphic below).



Beginning with rate year 1998 and ending with rate year 2004, legislated changes in the effective tax rate reduced the tax burden on Idaho employers. The impact of these changes on the UI trust fund can easily be illustrated by analyzing the difference between the revenues flowing into the fund from employer contributions against the payouts of UI benefits from the fund over time.

Beginning with calendar year 2001 and ending in calendar year 2004 (2004 is an estimate), total revenue added to the fund will be approximately \$205.6 million less than the amount that was paid out in total UI benefits. This imbalance is clearly evident in the table below.

**IDAHO DEPARTMENT OF LABOR
UNEMPLOYMENT INSURANCE PROGRAM
ANNUAL INCOME AND OUTGO 1987 -- 2004
(Millions of Dollars)**

YEAR	TOTAL ANNUAL INCOME	TOTAL ANNUAL PAYMENTS
1987	94.8	66.0
1988	101.2	54.6
1989	92.5	51.3
1990	86.9	55.3
1991	76.5	77.1
1992	90.9	78.2
1993	98.8	74.4
1994	93.0	78.2
1995	93.8	91.7
1996	116.4	95.8
1997	105.9	90.6
1998	96.7	97.6
1999	99.4	97.3
2000	107.7	98.8
2001	113.7	140.7
2002	110.0	173.4
2003	113.4	176.5
2004	108.9	161.0

Source: Idaho Department of Labor

What Went Wrong With UNIVERSITY PLACE?

The Problem

During 2003, the University of Idaho (UI) and its Foundation were involved in a highly publicized project known as “University Place.” Three buildings, covering six acres, were planned for the University Place (Project). The three buildings were to be used for classrooms, research, and government agencies. Unfortunately, UI ran out of money for the Project and so far just a single building has been built.

Background

The Foundation’s and UI’s reasons for starting the Project include the following:

- ❖ The State Board of Education allows colleges and universities to provide unique programs throughout the State. UI felt it appropriate to expand their presence in Boise.
- ❖ A bill passed by the State Legislature in 1998 stated that agencies should consider owning their buildings (instead of renting).

In 1999 the Foundation agreed to provide almost \$30 million towards the Project’s total cost of \$136 million. In 2000 the Foundation acquired 2.51 acres of land in downtown Boise. In 2001 the Foundation and the State Board of Education approved the financial plan for the Project. In 2002 the Legislature gave its approval for the State Building Authority to provide money for the Project by issuing bonds. Toward the end of 2002, the State Board of Education directed the State Building Authority to issue bonds for the first of the three buildings.

The first building is called the Idaho Water Center. Among other uses, the Water Center is the new home for the Department of Water Resources and other government agencies. Construction on the Water Center started in March of 2003. Plans for the other two buildings are on hold.

Starting in February of 2002, Wayland Winstead (UI’s Budget Director) sent a series of memos to UI President Bob Hoover. The memos questioned the wisdom of the

Project, comparing the Project to the Enron fiasco. In spite of Mr. Winstead’s concerns, President Hoover decided to continue with the Project. However, concerns about the Project continued to surface, and in February of 2003, the State Board of Education held an emergency meeting on the Project. Shortly after the meeting, President Hoover resigned.

Mr. Prince’s Report

What went wrong? The Project’s failure has been blamed on poor planning, lack of money, and failures of management. A 600-page report, titled the *University Place Management Review* prepared by Boise attorney Larry Prince explains the reasons for the Project’s failure.

Mr. Prince’s report reveals many poor decisions, including the following:

- ❖ UI spent \$8 million from a Foundation account but never deposited any money into the account. Instead of using the account like a debit card, UI treated it like a charge card.
- ❖ The Foundation’s management betrayed the trust of people that donated money to the Foundation. The Foundation’s management was responsible to see that the Foundation’s money was wisely used. Unfortunately the management did not put the Foundation’s money to work wisely and some of their financial activities may have been illegal.
- ❖ The management of UI and the Foundation did not talk to their respective councils and committees. The councils and committees exist to ensure sound decision making. The management at UI and the Foundation did not seek help, for fear the Project would be delayed.
- ❖ UI was supposed to inform the State Board of Education about all aspects of the Project’s financing. However, UI made multi-million dollar decisions without providing appropriate information to the State Board.
- ❖ The report noted that it was tough to figure out the true cost of the Project because many computer files had been destroyed or not provided. In addition, the activities of the UI and the Foundation were so mixed together it was difficult to sort out the difference.

An auditing firm, KPMG, issued a separate report in December of 2003. In their summary, KPMG wrote the following:

“Based on the information we reviewed, it appears the Project was not adequately planned, executed, monitored, or reported.”

In March 2004 Attorney General Lawrence Wasden said his office would be conducting a criminal review of the project. In May of 2004 Mr. Wasden’s office had to turn over their investigation to Ada County, due to possible conflicts of interest. Ada County has since turned over the investigation to Latah County (also due to possible conflicts of interest). In addition, the U.S. Attorney for Oregon is reviewing the matter to see if any federal laws were broken.

The Costs

Money either paid out or owed by the Foundation totals approximately \$32.8 million.

The total costs to UI may never be known. KPMG’s report mentions that the UI hid project costs in other accounts.

Internal Controls

Newspaper reports have commented upon the poor internal controls of the Foundation and the UI. The term

is familiar to accountants, managers, and auditors but may be unclear to other people.

Internal controls are set up to reduce the chances for harm to come to companies or agencies. When internal controls are in place and followed, they reduce theft and fraud, promote efficient operations, reduce errors, and protect data.

The managers in charge of the Project may have broken the law, allowed data to be lost or destroyed, and overlooked operating inefficiencies. It appears UI and the Foundation’s management did not follow good internal control practices.

Recent Events

UI staff are being removed from direct employment in the Foundation (for example the UI vice president for finances will no longer serve as the Foundation treasurer).

The Foundation sold the last parcel of land that was going to be part of the Project. The Foundation had cut their related debt to \$16 million and the sale of the land will drop that debt further.

As of November 24, 2004, federal and county criminal investigations continue.



Artist's Rendering of the Idaho Water Center in Boise, Courtesy of the University of Idaho

Public School Endowment Fund Losses

Background

The Public School Endowment Fund has its origin in three federal acts granting federal lands to the territory and later in the Idaho statute granting perpetual support to Idaho public schools. Income is derived from the sale of land, timber, land rentals, cottage site rentals, grazing rentals, and mineral rentals from these endowment lands.

The Idaho Department of Lands administers the endowment lands, and the Idaho Endowment Fund Investment Board manages the income derived from these lands. With the downturn in the stock market that started in 2001, the Public School Endowment Fund has suffered losses and the amount of support the Endowment Fund provides for public schools has decreased. The distributions in 2003 and 2004 were comparable, but less than the distributions in 2002.

The Legislature realized before 2001 that the schools relied upon the investment earnings of the Endowment Fund. They were concerned about what would happen if the Endowment Fund had market losses. A constitutional provision was passed in 1998 requiring the State to reimburse the Fund for stock market losses. Amending legislation was passed in the 2001 session further detailing how losses to the Endowment Fund would be reimbursed. The amending legislation passage roughly coincided with the beginning of the 2001 downturn in the stock market. The initial plan (from the 2001 session) was that after four years, if the initial loss had not been made up by market gains, the General Fund would make up the loss.

The Problem

Under original legislation, the General Fund would have been liable (in fiscal year 2006) for the fiscal year 2001 Public School losses of \$46 million, if the losses were not made up before July 1, 2005. As of June 30, 2004, the losses had not been partially made up and the Legislature confronted the problem of how to make up the remainder of the large losses.

Current Status

In response to the requirement to make up the fiscal year 2001 losses, the Legislative Budget Office drafted an amendment to the 2001 legislation which was passed by the 2004 Legislature. The new legislation extended the timeframe to make up losses from four to ten years and allowed the Legislature to make up the lesser of the total loss to date, or the original loss from ten years previous.

School District—State of Idaho Relations

The endowment distributions, as a percent of the entire state public school support, are marginal (FY 2004 amounted to 3 percent or \$38 million out of \$1,094 million). However, the endowment earnings are important to school districts. The Meridian School District highlighted the reduced distribution to public schools in their “District News.” Additionally, their current budget discloses past Endowment Fund revenue reductions. If market gains do not rebuild the diminished principal of the Fund, the school districts may have difficulty replacing that lost income.

Financial Impact

The change from a four-year reimbursement period to a ten-year reimbursement period will relieve the State of having to reimburse the Endowment Fund in the near future. Since the repayment period has been extended to ten years, it is very possible that the stock market

gains over time will take care of the losses. The financial impact is that the State will not be forced into diverting millions of dollars into the Endowment Fund starting in fiscal year 2006.

Recent Public School Endowment Fund Market Results

Year	Amount
2004 - Gain	\$ 65,585,000
2003 - Loss	\$ (1,884,000)
2002 - Loss	\$(71,461,000)
2001 - Loss	\$(46,013,000)
Total	<u>\$(53,773,000)</u>

Source: Endowment Fund Investment Board FY 2004 Financial Statement

Endowment Fund Earnings Distributions to Public Schools in Recent Years Grades K-12

Year	Distribution Amount	Percentage of Total Endowment Fund Distributed ¹
2004	\$37,750,000	7.5%
2003	\$37,057,000	7.5%
2002	\$47,675,000	8.0%
2001	\$44,700,000	8.5%

¹The percentage distributed to the beneficiaries has been reduced over the last few years to protect the amount held in reserve.

Source: Endowment Fund Investment Board FY2002/3/4 Financial Statements

Federal lands were given to all Western states upon the granting of statehood to assist in the new states' support of public education. How have other Western states handled stock market losses to their endowment funds?

- ❖ **Montana** does not invest in stock market *equities**; like-kind losses have not been an issue for them.
- ❖ **Wyoming** has benefited from huge natural gas revenues; losses are not an issue for them.
- ❖ **Utah** has a constitutional provision stating that: "The State School Fund shall be guaranteed by the state against loss or diversion." However, Utah has not put in place any statutes to enforce this constitutional provision. Utah has suffered losses to their endowment fund *principal*** in the past and it has taken decades to resolve the issue.
- ❖ **Oregon** has no statutory provisions and the people in charge of administering their endowment fund have waged an ongoing battle to protect the principal and earnings of the fund.
- ❖ **Arizona** has an endowment fund without a requirement that the state make up any losses to the endowment fund's principal.
- ❖ **Idaho's** statutes related to the endowment fund require that the state make up any losses to the endowment fund's principal within 10 years.

Definitions:

**Equities*--Shares of ownership in a corporation.

***Principal*--The main body of an investment; separate from the interest or earnings made on the investment.

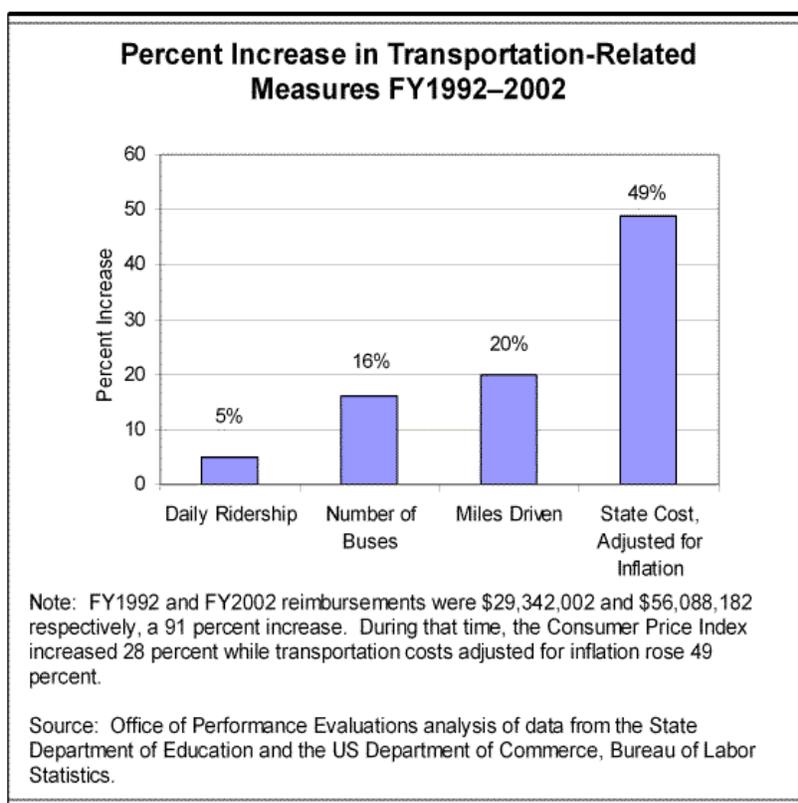
Source: Phone conversations and email communications with respective state budget, endowment, and controller staff members.

Public Schools

Transportation Costs

The costs of student transportation for Idaho's 114 school districts have increased at nearly twice the rate of inflation during the past ten years. The State Legislature asked the Office of Performance Evaluations (OPE) to examine the transportation practices of the school districts in an attempt to find cost savings.

As shown in the exhibit below, since 1992 the number of students riding the bus has increased 5 percent and the number of miles traveled by school buses has increased 20 percent. During that period, transportation costs have increased 49 percent (after adjustment for inflation). The State of Idaho reimburses school districts for 85 percent of the allowable costs of student transportation, an amount that totaled \$56 million in fiscal year 2002.



Although reimbursement for student transportation is only 4.7 percent of all state education costs, the State spends more on student transportation than it does on most other individual state agencies. For example, the Idaho State Police, the Department of Parks and Recreation, and the Department of Juvenile Corrections each received less state General Fund appropriations than student transportation received in fiscal year 2002.

Legislators are concerned that because the State reimburses such a large proportion of student transportation costs, districts have little incentive to reduce costs.

The OPE found examples of district decisions that both increased and decreased costs to the taxpayers by hundreds of thousands of dollars annually, such as consolidating bus routes, changing contract terms, using

The information on school districts was taken from the Office of Performance Evaluations website (<http://www2.state.id.us/ope/Reports/Rept0403..htm>) and summarized by the State Controller's Office.

charter buses, or incorrectly coding field trips. For example:

- ❖ The Idaho Falls School District recently changed school start and end times allowing the elimination of 13 bus routes. Based on preliminary information, OPE estimates these changes will generate \$306,000 in savings per year for the State and \$54,000 for the District.
- ❖ In 2003, the Boise School District allowed their contractor to substitute 100 used (1998 model) buses for new buses but did not adjust the cost of the contract to reflect the substitution. OPE recommended that the District renegotiate for lower contract rates. OPE estimated the contractor's cost to purchase 100 five year-old buses was \$2.4 million less than the new buses promised in their bid.

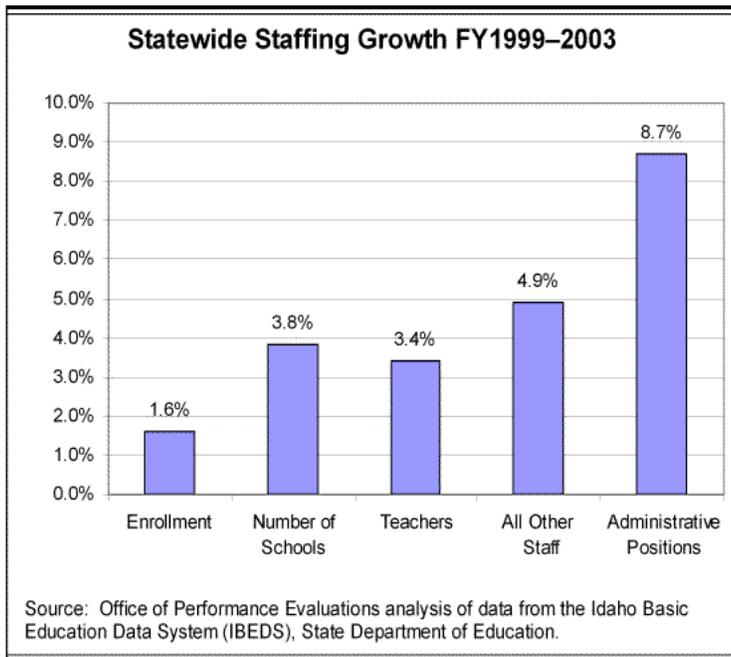
The OPE made several suggestions to the State Legislature for school districts to save money on their transportation costs. Some of the suggestions included the following:

- ❖ The State Board should clarify the responsibilities of the Department of Education, including the authority to conduct financial audits of district transportation programs.
- ❖ Contracting procedures should be clarified to make sure that companies submitting bids are basing them on the same criteria and that districts use a model contract developed by the Idaho Department of Education. The Department should also set guidelines as to when buses are to be replaced.

Administrative Staff Costs

At the end of the 2003 legislative session, the Legislature directed the OPE to look at the administration of Idaho school districts. The study was requested by legislative leadership and other legislators, who had been facing a serious budget crisis and were looking for ways

to contain costs. Their focus on school districts stemmed from the fact that almost half of all state General Fund monies, more than \$900 million per year, are used to support public schools.



School district administrative staffing costs are considerable, with reported salaries of \$134.3 million in fiscal year 2003. Relatively the number of administrative staff has grown more than student enrollment in the past five years. Between fiscal years 1999 and 2003, full-time administrative positions increased 8.7 percent, while statewide enrollment increased just 1.6 percent. Administrative staffing has also grown faster than the number of teachers and other nonadministrative staff, which grew 3.4 and 4.9 percent, respectively, over the five-year period. While the overall number of administrative staff has grown significantly, it is worth noting that 43 districts (out of 114 in the State) reduced the number of administrative staff they employed during this period. Administrative staff include personnel involved with management, clerical, human resources, computer support, and public information functions.

Public Schools (continued)

Much of the increase in staffing at district offices was attributable to growth in computer technology staff, which increased 123.8 percent during the five-year period. The number of staff classified as business managers/district clerks increased 58.5 percent.

Administrative staffing levels varied greatly from district to district. Salaries for administrative staff also varied between districts. Administrative staffing levels are influenced by many factors including student enrollment and the number of schools in the district. Local funding and district choices also contribute to staffing differences.

The State Department of Education collects and reports staffing information from districts. However, the reports do not clearly identify the total number of full-time positions devoted to administration. Further, staffing reports do not provide information needed to compare administrative staffing levels among districts. Without this type of information, it is difficult for policymakers and the public to assess school district staffing choices.

Purchasing

Districts spent more than \$414 million on purchases in fiscal year 2002. Sound purchasing practices are needed to ensure districts are using their fiscal resources efficiently and appropriately. Unlike state agencies, city and county governments, and highway districts, school districts are not required to seek price quotes for purchases between \$5,000 and the formal bid threshold of \$25,000. As a result, most districts did not have a process requiring staff to shop for the best price when making purchases in this range. In addition, staff in some districts did not consistently obtain required approvals before making purchases. Use of statewide contracts established by the Department of Administration's Division of Purchasing can help districts keep costs down. However, according to division officials, only about one-third of districts have entered into agreements authorizing them to use statewide contracts. In addition, although

many districts have recently begun participating in food services purchasing cooperatives and some districts use the Idaho School District Council for selected purchases, cooperative purchasing efforts could be expanded to help control purchasing costs. Online purchasing options and expanded training of district purchasing staff may also help achieve purchasing efficiencies.

The Office of Performance Evaluations has made several recommendations to the State Department of Education, the State Board of Education and the Idaho State Legislature to help cut costs, improve operations, and improve accountability.

Included in those recommendations are the following:

- ❖ Suggestions to improve staffing and financial reporting.
- ❖ Require competitive price quotes for purchases between \$5,000 and the formal bid threshold of \$25,000 and require annual review of district purchasing practices.
- ❖ School districts should take advantage of statewide purchasing contracts available from the State Division of Purchasing.
- ❖ The Legislature should consider giving specific statutory authority to districts for the use of statewide contracts to eliminate the need for an agreement with the Division of Purchasing.
- ❖ The State Department of Education should work with districts to encourage cost-reducing purchasing cooperatives.
- ❖ To help with the rising costs of health insurance, the Legislature could consider studying the potential cost savings of a statewide health insurance plan for school districts.

Facts About Idaho

Name: Originally suggested for Colorado, the name “Idaho” was used for a steamship which traveled the Columbia River. With the discovery of gold on the Clearwater River in 1860, the diggings began to be called the Idaho mines. “Idaho” is a coined or invented word and is not a derivation of an Indian phrase “E Dah Hoe (How)” supposedly meaning “gem of the mountains.”

Nickname: The Gem State

Motto: Esto Perpetua (Let it be perpetual)

Discovered by Europeans: 1805, the last of the 50 states to be sighted

Organized as Territory: March 4, 1863, act signed by President Lincoln

Entered Union: July 3, 1890, 43rd state to join the Union

GEOGRAPHY

Land Area: 83,557 square miles, 13th in area size

Water Area: 880 square miles

Highest Point: 12,662 feet above sea level at the summit of Mt. Borah, Custer County in the Lost River Range

Lowest Point: 770 feet above sea level at the Snake River at Lewiston

Length: 479 Miles

Width: 305 miles at the widest point

Geographic Center: Settlement of Custer on the Yankee Fork River, Custer County

Number of Lakes: More than 2,000

Navigable Rivers: Snake, Coeur d’Alene, St. Joe, St. Maries, and Kootenai

Largest Lake: Lake Pend Oreille, 180 square miles

Temperature Extremes: Highest, 118 degrees at Orofino July 28, 1934, -60 degrees at Island Park Dam, January 18, 1943

2004 Population: 1,383,400 (Division of Financial Management, Economic Forecast of April 2004)

Source: Idaho Blue Book, Published by the Idaho Secretary of State’s Office



Skiing in Idaho -- Its Powder Perfect

Idaho's ski resorts vary greatly in size with the average size of the small resorts being 300 skiable acres. Weather graces the Idaho slopes with lots of powder. The average annual snowfall in Idaho is 355 inches. Pomerelle Ski area, south of Twin Falls boasts an average of 500 inches, making for some great winter recreation.

Idaho ski areas offer a challenge to every skier level. Some notable features of Idaho ski resorts include:

- ❖ The amount of vertical drop at Idaho resorts varies from 400 feet at Snowhaven and the Little Ski Hill to over 3,400 feet at Sun Valley.
- ❖ Sun Valley was the site of the first chairlift in the world. A railroad engineer, who made use of banana-loading technology from the tropics, designed the chairlift. During the intervening years, this technology has evolved and improved to the point that many ski areas boast triples and quad-lifts to speed the skiers up the mountain.

Many skiers trained for the 2002 Olympics at Sun Valley.

- ❖ The Payette Lakes Little Ski Hill is operated by volunteers. The facility began as an off-season diversion for forestry workers in 1937. There is a biathlon course on site and the volunteers main-



Catching Air at Tamarack
Photo Courtesy of the Tamarack Resort

tain 30 miles of groomed cross-country trails. In March 2002, the Ski Hill hosted the U.S. Junior Olympic Cross Country Ski Championships.

- ❖ Bogus Basin has been chosen as the site for the U.S Freestyle Championships in March 2005. Bogus hosted the same competition in 2002.



Early Days at Bogus Basin
Photo Courtesy of the Idaho Historical Society